

**IOWA DEPARTMENT OF HUMAN SERVICES  
NOTICE OF PROPOSED CHANGES IN  
METHODS AND STANDARDS FOR SETTING  
MEDICAID PAYMENT RATES FOR NURSING FACILITY SERVICES**

In accordance with the public notice requirements of 42 CFR 447.205 and Section 1902(a)(13)(A) of the Social Security Act, the State of Iowa Department of Human Services (DHS) publishes this notice of significant changes in the Medicaid reimbursement methodology for nursing facility services.

Provisions of House File (HF) 811, Section 32 and HF 820, Section 61, enacted by the 83<sup>rd</sup> Iowa General Assembly, require the DHS to implement changes to nursing facility reimbursement effective July 1, 2009, by adjusting the inflation factor applied to nursing facility cost reports during rebasing of rates so as to keep annual State expenditures within \$152,803,575.

Nursing facilities are reimbursed based on a modified price-based system with quarterly adjustments to reflect changes in case-mix (acuity) of Medicaid members residing in the nursing facility. Nursing facility rates are rebased every second year beginning July 1, 2001, to reflect more current cost information, with an effective date of July 1 of each odd numbered year. In calculating rebased rates, the Iowa Medicaid program applies an inflation factor to reported costs.

In compliance with state statute and the state plan approved by the Centers for Medicare and Medicaid Services, reimbursement rates for nursing facilities effective July 1, 2009, will be rebased using cost reports submitted by the nursing facility for fiscal year ends during calendar year 2008, with an inflation factor applied. If the Iowa legislature had not set a limit on state expenditures for nursing facility services, the inflation factor used would have been equal to the change in the Skilled Nursing Facility (SNF) Market Basket Index published by IHS Global Insight. Pursuant to the limit imposed by House Files 811 and 820, the inflation factor will be adjusted to maintain reimbursement for nursing facilities that does not exceed state expenditures of \$152,803,575.

The rebasing of nursing facility rates is estimated to increase nursing facility expenditures by approximately \$19,665,684 (state and federal dollars) annually.

The Department proposes to implement the changes to the methods and standards for setting payment rates effective July 1, 2009, contingent upon approval from the federal Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS).

The proposed changes and rates are available for public review at the Department of Human Services County Offices. Questions or comments concerning this notice or the proposed changes may be addressed to Jennifer Steenblock, Department of Human Services, Iowa Medicaid Enterprise, 100 Army Post Road, Des Moines, IA, 50315. Comments received may be reviewed by the public by contacting Ms Steenblock at the above address.

Jennifer H. Vermeer  
Medicaid Director  
Iowa Department of Human Services